

# Metropolitan Transportation Commission Programming and Allocations Committee

December 12, 2007

Item Number 5a

## Resolution No. 3434 Strategic Plan Update

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**Subject:** Resolution 3434 – Regional Transit Expansion Program – Strategic Plan

**Background:** At the July 2007 meeting, this Committee directed staff to develop a Strategic Plan for Resolution 3434, the Regional Transit Expansion Program. This memo provides a status update to the plan. After receiving further direction, staff anticipates returning in early 2008 with a draft Resolution 3434 Strategic Plan for Committee consideration and approval.

As part of the 2001 Regional Transportation Plan (RTP), the Commission approved a consensus agreement on Bay Area transit expansion. Resolution 3434 – the successor plan to Resolution 1876 – identified 19 rail and bus projects as priority for transit expansion. Roughly \$9.7 billion in funding was identified for \$10.5 billion in project costs. The plan included an array of funding from federal, state, and local sources and matched funds to projects based on competitiveness and eligibility. During the 2006 update to Resolution 3434, the project cost increased to \$13 billion and the shortfall grew to nearly \$2 billion.

Staff has received preliminary project updates and will be evaluating each project with additional input from sponsors over the next several weeks. Based on the preliminary evaluation, the overall project costs have increased to \$16 billion, and the shortfall grew to \$4 billion. It is important to note that roughly \$3 billion of this increase is a shift from 2006 dollars to year of expenditure dollars and is not accompanied by an increase in revenues. The funding shortfall due to project cost increases, roughly \$1 billion, has actually decreased from 2006, due in part to the additional funding sources outlined in the memorandum.

**Summary:** The purpose of the Strategic Plan is to provide a framework for successful program and project delivery by initially addressing: 1) escalating project costs; 2) near-term funding requests; and 3) the development of the financially constrained element of the 2009 Regional Transportation Plan.

Based on the information submitted by project sponsors and to address specific project and program challenges, staff has placed projects into the five categories summarized in the attached memorandum. We are seeking feedback from the Commission on whether this is a helpful framework for proceeding with the Strategic Plan development.

**Recommendation:** For information only.

**Attachment:** Deputy Executive Director's memorandum



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## ***Memorandum***

TO: Programming and Allocations Committee

DATE: December 12, 2007

FR: Deputy Executive Director, Policy

RE: Resolution 3434 – Strategic Plan Update

At the July 2007 meeting, this Committee directed staff to develop a Strategic Plan for Resolution 3434, the Regional Transit Expansion Program. This memo provides a status update to the plan. After receiving further direction, staff anticipates returning in early 2008 with a draft Resolution 3434 Strategic Plan for Committee consideration and approval.

### **Background**

As part of the 2001 Regional Transportation Plan (RTP), the Commission approved a consensus agreement on Bay Area transit expansion. Resolution 3434 – the successor plan to Resolution 1876 – identified 19 rail and bus projects as priority for transit expansion. Roughly \$9.7 billion in funding was identified for \$10.5 billion in project costs. The plan included an array of funding from federal, state, and local sources and matched funds to projects based on competitiveness and eligibility. The Commission acted in 2005 to update Resolution 3434 to add a transit-oriented development policy element to the transit expansion program.

Resolution 3434 was updated in April 2006 to reflect changes in the cost and funding picture of projects, select an initial federal Small Starts project candidate, and add one new project – expansion of the region's ferry network. Roughly \$11.2 billion in funding was identified for \$13.5 billion in project costs as part of this update. In short, both program costs and revenues had grown since 2001, but so had the overall funding shortfall – to over \$2 billion.

Staff has received preliminary project updates and will be evaluating projects with additional input from sponsors over the next several weeks. Based on the preliminary evaluation, the current overall project costs are roughly \$16 billion, with a shortfall of roughly \$4 billion. It is important to note that roughly \$3 billion of this increase is a shift from 2006 dollars to year of expenditure dollars and is not fully matched with an equivalent inflation adjustment in revenues. The funding shortfall due to project cost increases, roughly \$1 billion, has actually decreased from 2006, due in part to the additional funding sources discussed in the next section.

### **Funding Plan Improvements**

Since the April 2006 update, just under \$600 million in additional funding has been secured for several Resolution 3434 projects, as noted in the chart below. The additional funding secured includes:

- MTC adopted the Proposition 1B Regional Transit Program, including an investment of \$140 million in Resolution 3434 projects, with an equivalent operator match requirement from revenue-based proceeds from the state bond.
- The BART Oakland Airport Connector project secured \$25 million from a federal pilot program for public/private partnership projects.
- The recently completed design competition for the Transbay Transit Center in San Francisco included revised development fee estimates, \$246 million above previous estimates for Phase 1 of the project.
- Cash flow and financing issues had threatened to delay the eBART project. Under a concurrent agenda item today, staff recommends that PAC recommend Commission endorsement of a policy commitment of bridge toll funding, totaling roughly \$241 million in unallocated revenues, to the project. In addition, Contra Costa Transportation Authority would commit to a bond issuance so that full funding to eBART could be achieved by FY2015, subject to availability during the same time period of MTC bridge toll funds.
- In November 2007, the Commission adopted the Third Cycle STP/CMAQ Bonus Round, including \$35 million available to close the funding gap on otherwise ready-to-go projects in Resolution 3434.

**Additional Funding Secured Since April 2006 (in millions)**

| <b>Proposition 1B</b>  | <b>MTC Contribution<br/>Population-based</b> | <b>Operator Match from<br/>Revenue-based</b> | <b>Total</b> |
|--|--|--|--------------|
| San Francisco Central Subway   | 100  | 100  | 200          |
| eBART  | 20   | 20   | 40           |
| BART to Warm Springs   | 20   | 20   | 40           |
| Subtotal - Prop 1B   | 140  | 140  | 280          |
| <b>Federal Public/Private Partnership Pilot Program</b>                |  |  |              |
| BART Oakland Airport Connector   |  |  | 25           |
| <b>Transbay Transit Center - Estimated Additional Development Fees</b> |  |  | 246          |
| <b>MTC Third Cycle STP/CMAQ Bonus Round - Projects TBD</b>             |  |  | 35           |
| <b>Total New Funding</b>   |  |  | <b>586</b>   |

### **Strategic Plan Framework**

The purpose of the Strategic Plan is to provide a framework for successful program and project delivery by initially addressing: 1) escalating project costs; 2) near-term funding requests; and 3) the development of the financially constrained element of the 2009 Regional Transportation Plan – Transportation 2035.

Based on the information submitted by project sponsors and to address specific project and program challenges, staff has placed projects into the five categories summarized below and listed in Attachment A. Staff is seeking feedback on whether these categories help to focus Commission efforts with respect to Resolution 3434 projects toward project completion.

#### *No Current Scope, Schedule, or Budget Issues Reported by Sponsor*

Based on the information submitted, projects in this category are proceeding without the need for significant changes to project scope, schedule, or budget. Staff will continue to work with sponsors to monitor progress.

#### *Dependent on Public Private Partnership*

Currently, the BART Oakland Airport Connector project is the only Resolution 3434 project pursuing a public private partnership agreement. Proposals from a short-listed set of bidders are due to BART later this month, with a contract award scheduled for early summer 2008. Construction is set to begin in fall of 2008 and is to be completed in early 2011.

#### *Projects Needing On-Going Operating Funds*

The primary concern of projects in this category is annual operating needs. While capital construction challenges may also exist, projects in this category are dependent on passage of a local sales tax to provide sufficient operating funds once the projects are constructed.

#### *Projects Needing More Scope/Cost Refinement*

As presently scoped and cost estimated, projects in this category need to secure additional funding and/or refine the current scope. Staff will continue to work with sponsors to identify funding opportunities and scope refinements that result in effective transportation solutions.

#### *Projects Dependent on California High Speed Rail Project*

California voters are scheduled to vote on a high-speed rail bond in November 2008. An initial review of the projects in this category suggests that scope, schedule and budgets are dependent on the outcome of the California High Speed Rail project. Project sponsors in this category reported significant funding shortfalls.

### **Potential Strategies**

The overall program shortfall combined with the program and project delivery challenges listed above underscore the need for a Strategic Plan. Staff recommends considering the following strategies to include in the Strategic Plan.

#### **Monitor Project Progress and Milestones**

- Continue to monitor projects in the *No Current Scope, Schedule, or Budget Issues Reported by Sponsor* category and work with project sponsors to minimize future risks.
- Continue to work with BART towards contract award for the Oakland Airport Connector public/private partnership venture.

#### **Provide Advocacy Support**

- Continue to advocate for local operating funding solutions for the BART to Santa Clara and SMART projects.
- For projects in the *Projects Dependent on California High Speed Rail Project* category, continue to advocate for the California High Speed Rail project and work with sponsors to ensure local project inclusion in the planning and financing of the statewide network.

#### **Make Policy Decisions to Deliver Projects**

- Work with project sponsors in the *Projects Needing More Scope/Cost Refinement* category to
  1. Refine project scopes;
  2. Explore additional funding and financing opportunities;
  3. Provide funding/financing to close funding gaps for projects otherwise ready-to-go; and/or
  4. Evaluate the possibility of shifting funds between projects to accelerate project delivery for one and committing potential new funding to the project from which funds may be shifted. A TCRP fund strategy is one example of this kind of action.

Therefore, we expect there may be movement from this category to others following more work with project sponsors.

- Consider whether cross-cutting strategies such as right-of-way preservation may be of benefit now, and how these would be achieved.

#### **Additional Follow-up from April 2006 Update**

A condition was added to Resolution 3434 in April 2006 to address the Caltrain Electrification project: *Continued Commission support for a regional commitment of STP/CMAQ and CARB/AB 434 funds to the project is contingent upon the three JPB member agencies reaching agreement by December 1, 2007 on project scope and how to close the project's remaining funding shortfall.* Staff is currently working with the JPB members to address this condition.

Also noted in the April 2006 update, escalation adjustments may be necessary for the New Starts funding requests for the San Francisco Muni Central Subway and the BART to San Jose/Santa Clara projects. Staff is working with project sponsors to update these funding requests.

Finally, the April 2006 update noted that the Commission may consider endorsing an additional regional candidate for the federal Small Starts funding category. Staff issued a call for projects

and received candidate projects from San Francisco, San Mateo, and the East Bay. The majority of the projects submitted were in the Very Small Starts category, projects with a total cost of less than \$50 million. Staff is evaluating the proposals and may bring a recommendation to the Committee in early 2008.

### **Next Steps**

After receiving input from this Committee, staff will develop a draft Strategic Plan for review and input from project sponsors. Staff will then release a draft Resolution 3434 Strategic Plan at a Committee meeting in early 2008 for further discussion and public input.

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Therese W. McMillan

**Resolution 3434 - Strategic Plan  
Attachment A  
Projects by Category**

**Open for Service**

|                               |                      |              |
|-------------------------------|----------------------|--------------|
| Caltrain Express: Baby Bullet | **OPEN FOR SERVICE** | Caltrain JPB |
| Regional Express Bus          | **OPEN FOR SERVICE** | MTC          |

**No Current Scope, Schedule, Budget Issues as Reported By Sponsors**

|   |           |
|---|-----------|
| East Contra Costa BART Extension (eBART)                                | BART/CCTA |
| Downtown to East Valley: Light Rail and Bus Rapid Transit Phase 1 and 2 | VTA       |
| MUNI Third Street Light Rail Transit Project<br>New Central Subway      | Muni      |
| Transbay Transit Center - Phase I                                       | TJPA      |

**Dependent on Public/Private Partnership**

|                                |      |
|--------------------------------|------|
| BART/Oakland Airport Connector | BART |
|--------------------------------|------|

**Projects Needing On-going Operating Funds**

|  |       |
|--|-------|
| BART: Warm Springs to San Jose/Santa Clara | VTA   |
| Sonoma-Marin Rail                          | SMART |

**Projects Needing More Scope/Cost Refinement**

|  |                   |
|--|-------------------|
| AC Transit Berkeley/Oakland/San Leandro Bus Rapid Transit  | AC Transit        |
| AC Transit Enhanced Bus: Grand-MacArthur corridor  | AC Transit        |
| BART to Warm Springs   | BART              |
| Caltrain Express: Phase 2  | Caltrain JPB      |
| Capitol Corridor Expansion   | CCJPA             |
| Capitol Corridor: Phase 2 Enhancements   | CCJPA             |
| Expanded Ferry Service to Berkeley, Alameda/Oakland/Harbor Bay, Hercules, Richmond, and South San Francisco; and other improvements. | WTA               |
| Tri-Valley Transit Access Improvements to/from BART  | BART/ACCMA/ LAVTA |

**Projects Dependent on High Speed Rail Project**

|  |   |
|--|---|
| Altamont Commuter Express (ACE): service expansion | SJRRRC, ACCMA, VTA                        |
| Caltrain Electrification                           | Caltrain JPB                              |
| Dumbarton Rail                                     | SMTA, ACCMA, VTA, ACTIA, Capitol Corridor |
| Transbay Transit Center - Phase 2                  | TJPA                                      |